

REVENUES

Total revenues available to the city in FY 2012 from all sources are estimated at \$452 million, of which \$131.2 million or 29% goes into the General Fund (GF). Table 1 shows changes expected in the revenue funds included in the table. Please note that numbers in parentheses denote a projected decrease in revenues in FY 2012 from FY 2011.

Table 1: Total Revenues by Fund—FY 2011 vs. 2012

(All Dollars in Thousands)

Fund	FY 2011 Estimate	FY 2012 Projection	Change FY 11 to FY 12
1000-General	\$143,612	\$131,174	(\$12,438)
1040-General Services	\$9,087	\$8,934	(\$153)
1100-Telephone Services	\$990	\$904	(\$86)
1120-Vehicle Replacement	\$2,267	\$1,938	(\$329)
1140-PC Replacement	\$2,049	\$1,755	(\$294)
1240-Court Security/Bonds	\$351	\$351	\$0
1281-Stadium Event Operations	\$1,055	\$905	(\$150)
1282-Arena Event Operations	\$274	\$5,278	\$5,004
1340-Highway User Gas Tax	\$13,600	\$11,416	(\$2,184)
1650-Transportation Grants	\$1,648	\$6,465	\$4,817
1660-Transportation Sales Tax	\$19,214	\$20,043	\$828
1700-Police Sales Tax	\$11,940	\$12,262	\$322
1720-Fire Sales Tax	\$5,961	\$6,122	\$161
1740-Civic Center	\$354	\$410	\$56
1770-Zanjero Special Revenue	\$1,249	\$1,283	\$34
1780-Arena Special Revenue	\$4,521	\$8,502	\$3,982
1790-Stadium City Sales Tax - AZSTA	\$1,700	\$1,746	\$46
2360-Water and Sewer	\$104,500	\$79,323	(\$25,177)
2440-Landfill	\$8,333	\$8,253	(\$80)
2480-Sanitation	\$15,104	\$15,068	(\$36)
2500-Pub Housing Budget Activities	\$13,108	\$13,243	\$135
2540-Risk Management Self Insurance	\$2,540	\$2,543	\$3
2560-Workers Comp. Self Insurance	\$1,015	\$1,018	\$3
2580-Benefits Trust Fund	\$21,897	\$21,896	(\$1)
Total Operating	\$386,369	\$360,831	(\$25,537)
Capital and Other Revenue	\$56,443	\$91,218	\$34,775
Grand Total	\$442,812	\$452,049	\$9,238

General Fund Group

General Fund (Fund 1000): Total resources available in FY 2012 to support GF services include the estimated beginning fund balance of \$24.8 million and revenues of \$131.2 million. The city expects to collect \$143.6 million in total GF revenue in FY 2011. Of that amount, \$12.6 million is one-time revenue as a result of the amended parking agreement for the mixed use development in the sports and entertainment district that City Council approved in January 2011. Excluding this onetime revenue, total general fund collections for FY 2011 is estimated to be \$131 million, relatively flat compared the FY 2012 projected revenue.

The average annual growth rate for total ongoing GF revenue was a robust 8% between FY 2002 and FY 2008. This rate was the result of very strong growth in city sales tax and state income tax receipts, with more moderate growth in state sales tax, motor vehicle in lieu fees, and development-related permits and fees. The phenomenal growth Glendale experienced through FY 2008 was the direct result of Council's strategic goal of one community with quality economic development. The healthy growth meant the city could support and maintain superior city services and contributed to a high quality of life for the Glendale community.

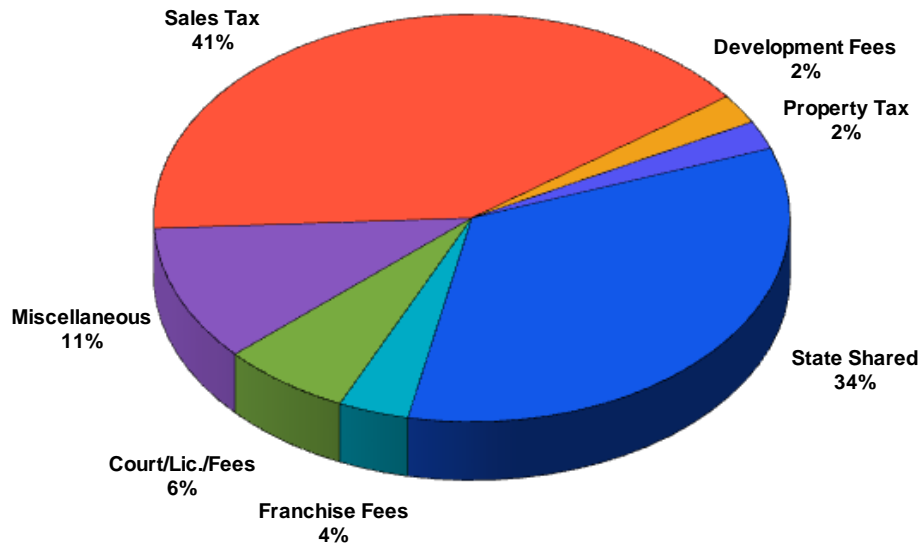
From FY 2008 through the end of FY 2011, total GF revenue is expected to experience a decline of almost \$40 million or 22%, a clear reflection of the economic challenges brought on by the recession. A return to healthy growth is expected to occur over several years because Arizona was hit particularly hard by the economic downturn. Factors contributing to a long and gradual recovery include constrained job growth, weak personal income growth, weak consumer confidence and a weak real estate market.

The two major sources of revenue for the GF continue to be city sales taxes and state-shared revenues. They have comprised between two-thirds and three-fourths of the GF revenue since FY 2002 and are expected to continue to do so for FY 2012.

The city's GF revenue projection is based on many factors including the following:

- historic trend data;
- projected changes in state and local population, disposable personal income, retail sales and inflation;
- economic forecasts of state and local economic activity provided by experts on the Arizona economy;
- economic forecasts of overall national economic activity; and
- statistical analyses.

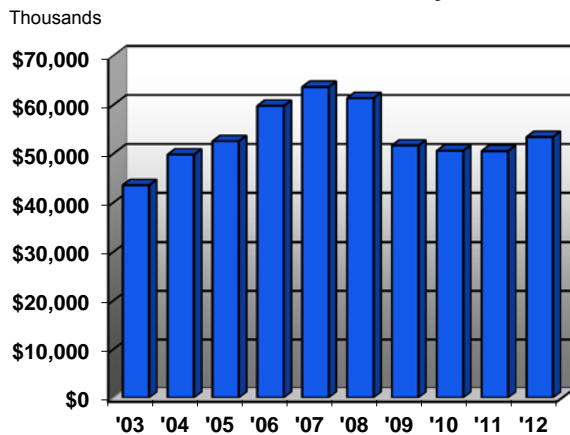
Summary of General Fund Revenue (Excludes Street Funds)



City Sales Tax: City sales tax represents 40.7% of the GF revenue sources and is Glendale's largest source of revenue for FY 2012. The majority of sales tax revenues are derived from retail businesses (approximately 51% of total city sales tax collections). Other major classes of sales tax activity include transportation, communications and utilities, rental businesses and

restaurants and bars. The GF receives 1.2% of the city's 2.2% sales tax with the remaining 1.0% designated for public safety (0.5%) and transportation (0.5%).

City Sales Tax 10-Year Fiscal History



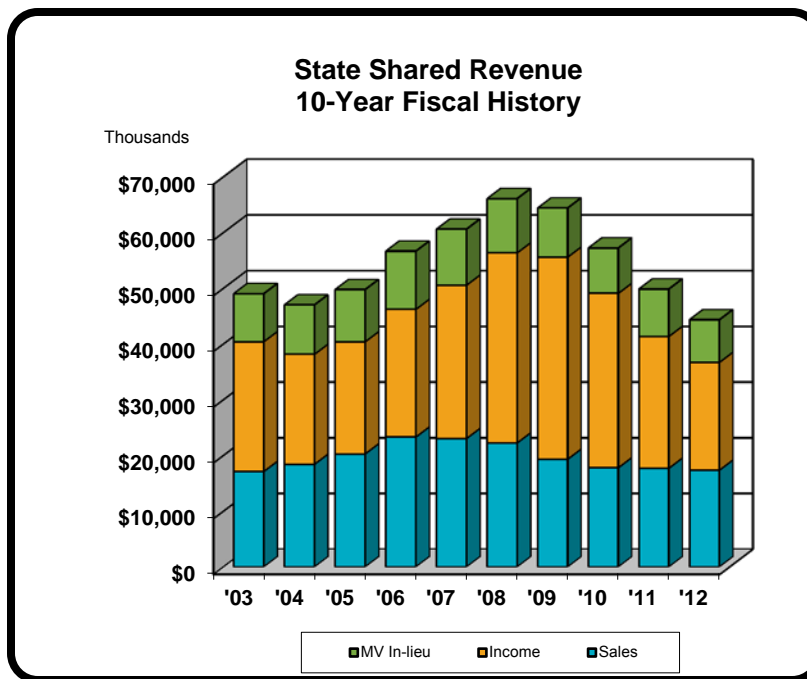
The city collected \$63.3 million in city sales tax revenue in FY 2007, the highest level of receipts over a ten-year period. In FY 2008, collections began declining with rapid deterioration occurring over the summer and fall of 2008. Since FY 2009, city sales tax receipts have leveled off at the \$50 million level, which was last experienced in FY 2004.

The estimate for FY 2011 is \$50.5 million, or almost even with the FY 2010 actuals. This conservative estimate is based on the

assumption that the economy is still relatively weak due to the volatility of gas prices and other essential commodities that tend to lower consumer spending in other areas. The FY 2012

projection is \$53.4 million and includes \$1.5 million in anticipated revenue from a canvass of city businesses. After excluding the \$1.5 million expected from the canvass, the FY 2012 projection is \$51.9 million and represents a modest 2.7% increase over the FY 2011 estimate of \$50.5 million.

State-Shared Revenues: State-shared revenues include state income tax, state sales tax and motor vehicle in-lieu tax. These three revenue sources are shared with all cities and towns throughout the state. The average annual growth rate for the city's share of state shared revenue



was 6% between FY 2002 and FY 2008. However, starting in FY 2009, a decline started and is expected to continue through FY 2012. FY 2011 receipts are expected to be \$49.8 million and a further decline to \$43.9 million is expected in FY 2012 as a result of the two year lag in the distribution of income tax receipts and the impact of the 2010 Census. With the FY 2012 projection of \$43.9 million, this critical revenue source has shrunk \$21.7 million or 32.9% since the peak of \$66.1 million in FY 2008.

The distribution of state sales and income tax revenue is based

upon the relation of the city's population to the total state population while the distribution of motor vehicle in-lieu revenue is based on the city's population in relation to the total incorporated population of Maricopa County.

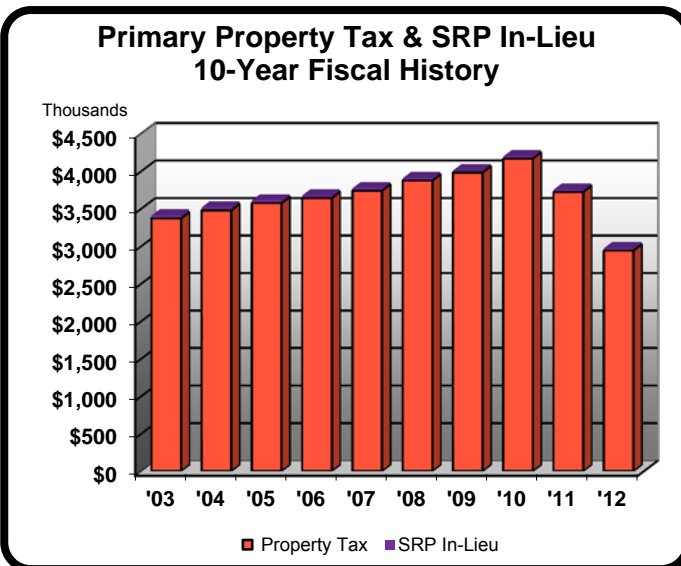
Prior to the 2010 Census, Glendale was just under 5% of the state's total population; with the 2010 Census, Glendale is now about 4.5% of the state's population. While the distribution method is proportional on a per person basis, more mature cities like Glendale typically experience a decrease in their portion of state-shared tax revenues as growing cities tend to receive a greater share of the revenue distribution.

The most significant component of state-shared revenue is income tax and it is primarily driven by personal income rather than business income as personal income tax receipts comprise about two-thirds of all Arizona income tax receipts. Income tax revenue distribution to the cities lags by two years. This means the state income tax distribution for FY 2012 will reflect the income tax the state collected in FY 2010, and the state's 2010 income tax receipts were lower than the 2009 receipts. Glendale's share of state income tax revenue is expected to decrease 18.2% or \$4.3 million from \$23.7 million in FY 2011 to \$19.3 million in FY 2012. The city last had income tax receipts at the \$19 million level in FY 2004.

State sales tax and motor vehicle in lieu revenues are distributed to cities and towns based on current year collections. State sales tax distribution is based on a formula by which varying percentages of different types of sales taxes – such as retail – are used to calculate the distribution amount. The FY 2011 estimate is \$17.7 million and is almost even with the FY 2010 actuals. This revenue also is projected to remain essentially flat for FY 2012 at \$17.4 million. The city last had state sales tax receipts in the \$17 million range in FY 2003.

The FY 2012 motor vehicle in lieu tax projection of \$7.6 million is 10% less than the \$8.5 million estimate for FY 2011 and represents the lowest level in the last ten years for this revenue source. This revenue is based on fees collected for the licensing of vehicles, with the value of the vehicle used as the basis for the license cost.

Primary Property Tax: Arizona’s property tax system consists of two tiers. The primary property tax levy has state-mandated maximum limits, and a city can adopt a rate anywhere between \$0.0000 and the rate that yield the maximum limit under state law. Primary property



tax revenue can be used by a city for any purpose. The primary property tax revenue is included in the GF operating budget.

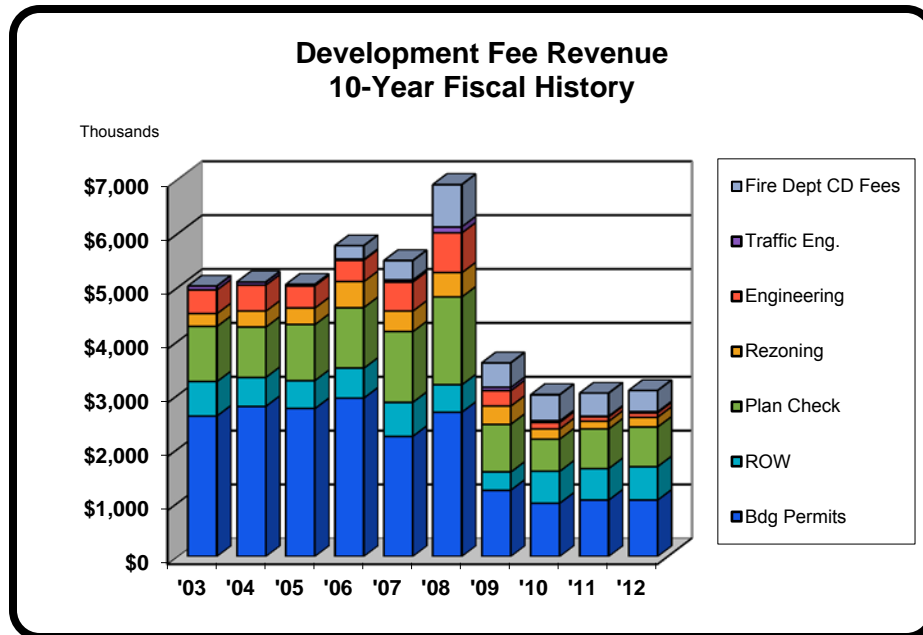
The secondary property tax revenue can be used only to pay the principal, interest and redemption charges on bonded indebtedness or other lawful long-term obligations that are issued or incurred for a specific capital purpose. The secondary property tax revenue funds the city’s General Obligation bond portion of the city’s capital improvement plan (CIP).

The city primary property tax rate will remain at \$0.2252 in FY 2012 although the city expects to lose more than \$780,000 because of a 22.6% decline in the primary assessed valuation of existing property. This drop is in addition to the 11% or about \$459,000 decline from FY 2010 to FY 2011.

Salt River Project (SRP) in-lieu revenue represents the quasi-governmental agency’s payment in lieu of a property tax, which it is exempt from paying. This revenue source amounts to a projected \$31,236 for FY 2012 and represents only 1% of the primary property tax and SRP in-lieu revenue grouping.

Development Fees: Development-related fees include building permits, right-of-way permits, plan check fees, planning and zoning fees, engineering and traffic engineering plan check fees, fire service related development fees and miscellaneous development related fees. These sources essentially reflect a range of activities related to commercial and residential development and

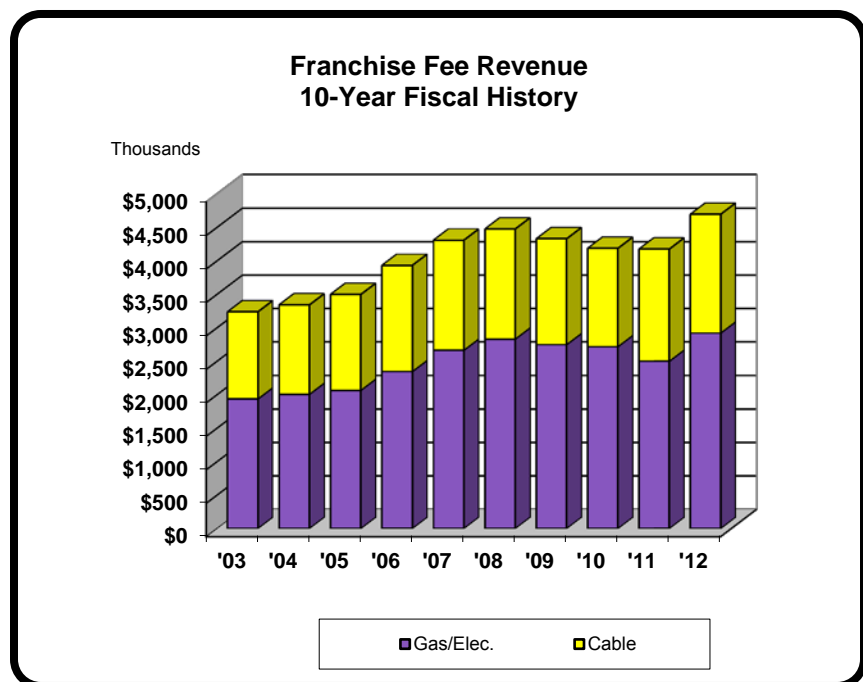
construction. The city experienced its peak collection of development fees in FY 2008 with \$6.1 million in receipts. The FY 2012 projection is \$3 million and is flat with the FY 2011 estimate.



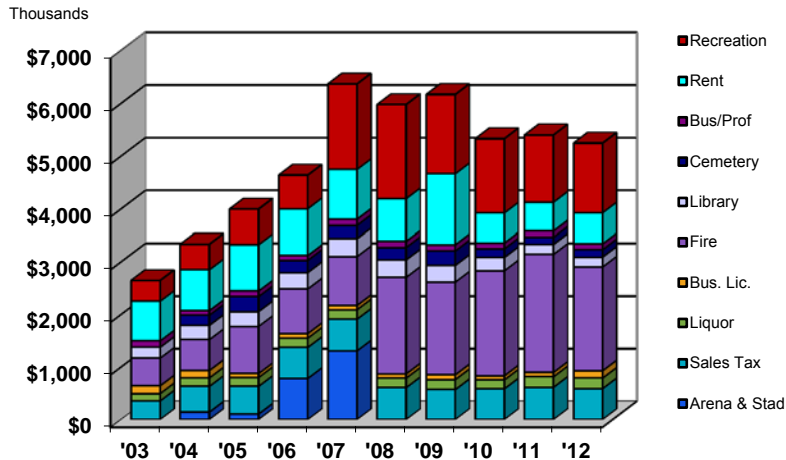
For the development fees category, the largest revenue source in prior years was building permit fees. The same is true for FY 2011 and FY 2012 with just over \$1 million expected in each of the two years. The next largest source of revenue in this category was, and is expected to continue to be, plan check fees.

The decline of over 56% from the peak collection in FY 2008 is the result of the sizeable drop off in commercial and residential construction activity across the metropolitan Phoenix area as a result of the recession.

Franchise Fees: Franchise fees are paid to the city by the electric, gas and cable companies operating within the city. These fees increase in response to rate increases by the various utilities and, to a lesser extent, population growth. In all cases, the fees due to the city are based on gross receipts for the franchised organization. The city anticipates collecting \$4.7 million in franchise fee revenues in FY 2012, a modest increase of \$520,000 or 12.5% from the FY 2011 estimate.



**License and Fee Revenue
10-Year Fiscal History**

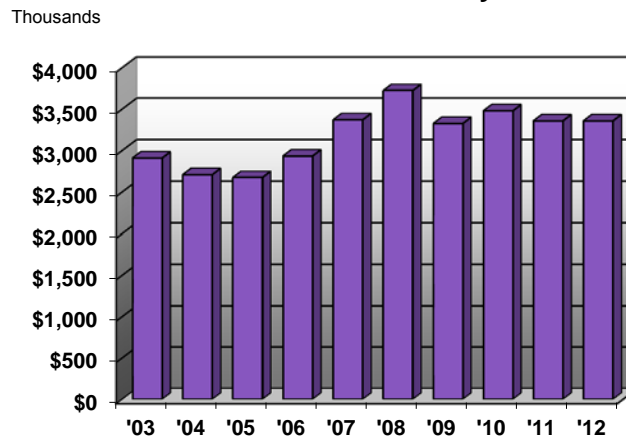


License and Fee Revenues: This revenue category includes business and professional licenses, business regulatory licenses, sales tax licenses, liquor licenses, recreation fees, fire department fees not related to construction development, library fines and fees, cemetery fees, and rental income from the use of city facilities. Miscellaneous arena and stadium

related fees were included in FY 2004 to FY 2007 and are now accounted for in a separate fund. Stadium security fee was included in FY 2007 only. As a group these sources are expected to generate \$5.2 million in FY 2012. These revenues have been relatively flat since FY 2010.

Court Revenues: The Glendale City Court collects fines for parking and traffic violations, and civil and misdemeanor criminal cases. Traffic fines represent the largest portion of court revenues. The revenue generated from fines is subject to statutory changes made by the Arizona state legislature and can be affected by changes in traffic enforcement practices. Court revenue is estimated to remain flat at \$3.4 million in FY 2012.

**Court Revenue
10-Year Fiscal History**



Other Revenues: This revenue category includes interest earnings, staff and administrative chargebacks, capital lease proceeds (if any), sale of assets (if any) and miscellaneous revenues. The projection calls for FY 2012 revenues of approximately \$14.2 million, compared to \$23.6 million expected to be generated in FY 2011. FY 2011 includes the \$12.6 million in one-time revenue as a result of the amended parking agreement for the mixed use development in the sports and entertainment district that City Council approved in January 2011.

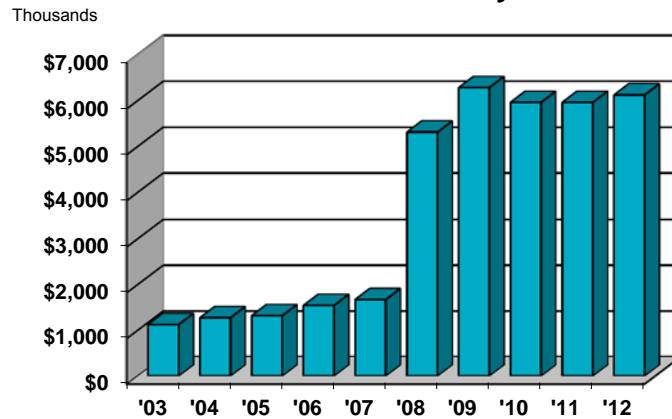
Special Revenue Fund Group:

Police and Fire Sales Tax (Funds 1700 & 1720): The source of revenue for these funds is the 0.5% designated sales tax for police and fire services. The sales tax was originally adopted by voters in 1994 at a 0.1% rate. In September 2007 Glendale voters approved an increase to 0.5% effective November 1, 2007.

The original one-tenth rate includes food for home consumption (e.g., groceries) while the additional four-tenths rate excludes food for home consumption. Two-thirds of the revenue is allocated to police and one-third to fire.

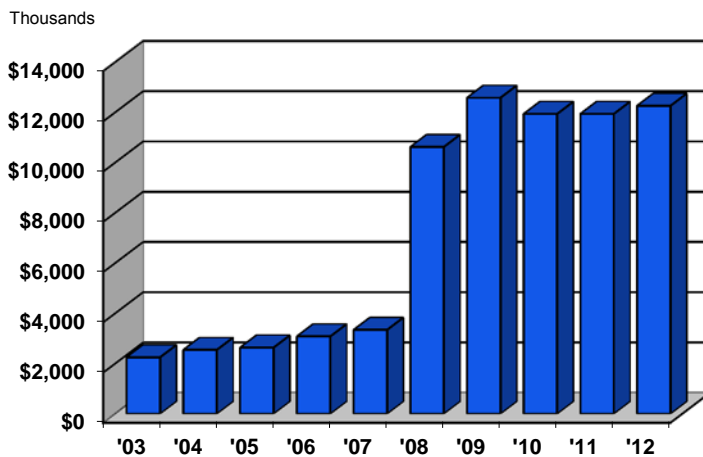
This revenue is subject to the same fluctuations as the general sales tax although the performance can be somewhat different because 80% of the rate excludes food for home consumption.

**Fire Special Revenue
10-Year Fiscal History**



The FY 2012 projection is \$18.4 million with \$12.3 million for police and \$6.1 million for fire. The FY 2012 projection reflects growth of 2.7% from the FY 2011 estimate of \$17.9 million.

**Police Special Revenue
10-Year Fiscal History**



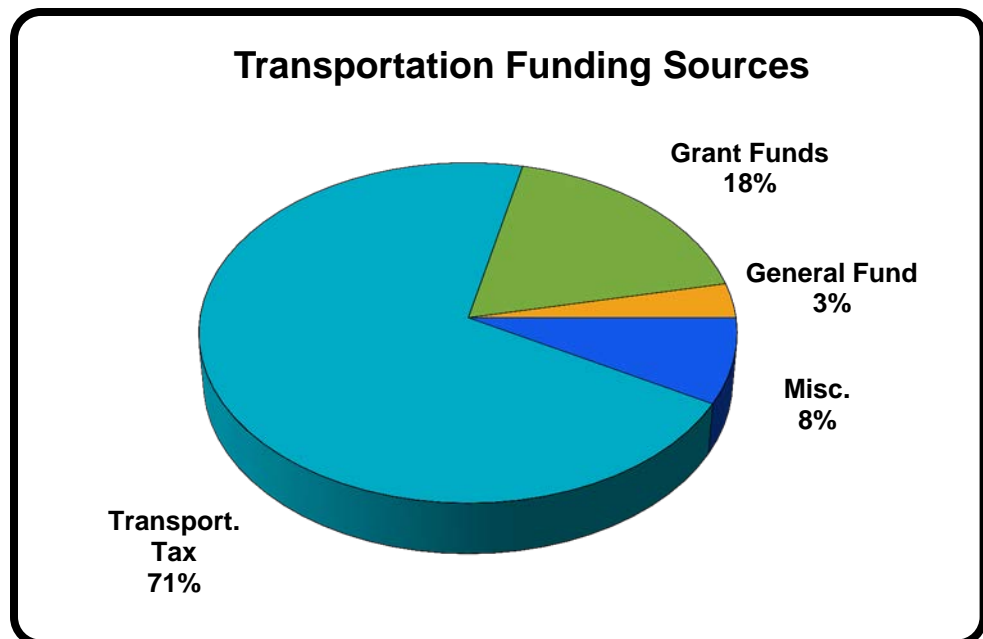
Transportation Sales Tax (Fund 1660): The primary source of this fund's revenue for operations is sales tax receipts from the designated transportation sales tax (0.5%) that voters approved in 2001. This dedicated sales tax funds the Glendale Onboard (GO) Transportation Program, and is expected to generate an estimated \$19.3 million in FY 2012 as compared to \$18.5 million estimated for FY 2011. This is a modest increase of \$510,000 or 2.7% excluding the sales tax refund estimated in FY 2011. This revenue source is dedicated to funding various transportation and transit-related projects.

Other sources of FY 2012 revenue within the Transportation Sales Tax Fund include \$128,000 in transit revenues, \$516,432 in grant revenues and \$98,137 in interest earnings. In total, transportation sales tax fund revenues are projected to be \$20 million in FY 2012 or about \$828,000 less than the FY2011 estimated revenue. This fund is supplemented with \$900,000 from the General Fund, as required by the 2001 election, to help sustain the delivery of transportation services.

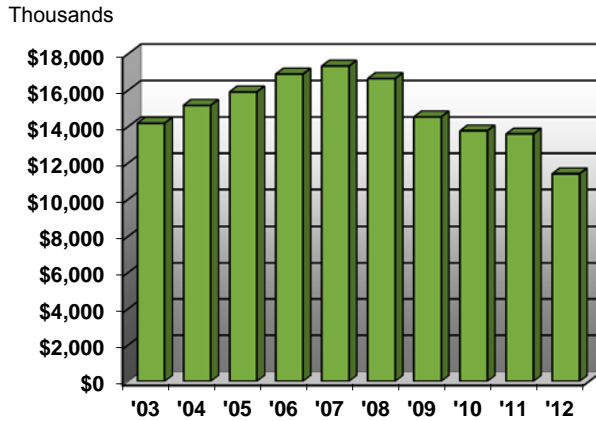
The state's FY 2012 budget continues to exclude the Local Transportation Assistance Fund (LTAF) monies that the state used to distribute to local governments. The state eliminated the distribution of this revenue source with the FY 2011 budget. The City of Glendale had used this revenue

to pay for Dial-A- Ride and fixed route bus services. A combination of one-time savings, federal credits, and federal transit operations grant funds were used in FY 2011 and will continue to be used in FY 2012 to avoid significant service cutbacks. A determination of longer-term service options will be made during FY 2012 based on the availability of other funding opportunities and further route evaluations.

Streets (Fund 1340): The source of this fund's revenue is the state's Highway User Revenue Fund (HURF). HURF is commonly called the gasoline tax although there are several additional transportation-related fees that comprise this revenue source, including a portion of vehicle license taxes. Overall, much of this revenue source is based on the volume of fuel sold rather than the price of fuel.



**HURF Revenue
10-Year Fiscal History**

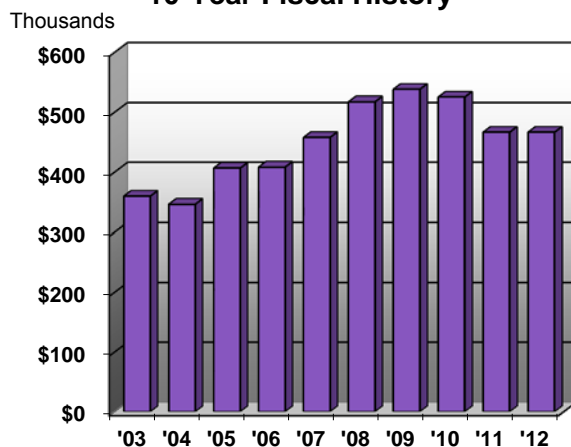


The state distributes the revenue based on a complex distribution formula that spreads a portion of the money across the state solely on the basis of population while the remaining money flows to those areas with the highest gasoline and other fuel sales. This revenue must be accounted for separately and used only for eligible street and highway purposes.

HURF collections are affected by the general health of the economy, as well as the vigor of specific industries such as tourism and trucking. The

Arizona state legislature has made formula modifications from time to time that have affected Glendale's share of HURF dollars. In fact, the Arizona Legislature reduced the amount of funds allocated to cities for FY 2010 and FY 2011 and again for FY 2012. The Streets Fund received \$13.8 million in FY 2010. The city expects to collect about the same amount in revenue for FY 2011. For FY 2012, Glendale's share of HURF dollars will be reduced by \$2.2 million or 16.1% to \$11.4 million in total revenue collection.

**Airport User Revenue
10-Year Fiscal History**



Airport (Fund 1760): Airport revenues consist of user fees (1.0%), lease proceeds (76.0%), commercial activities and other fees (11%) and a transfer from the GF (12.0%).

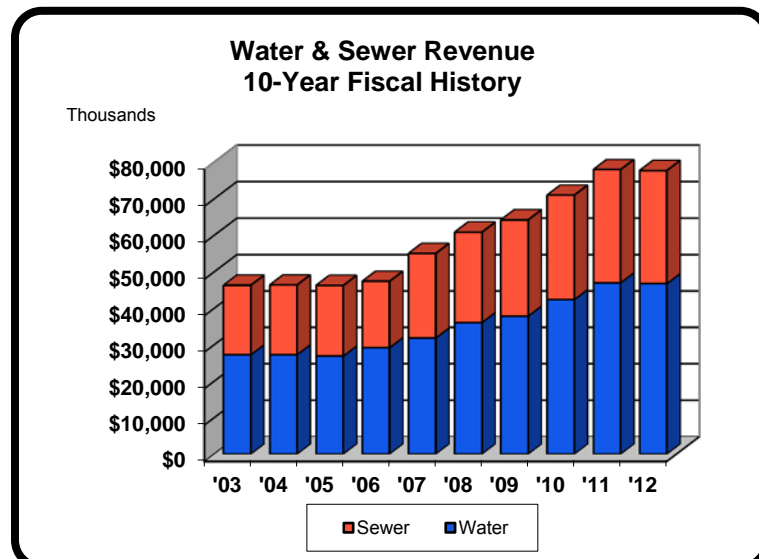
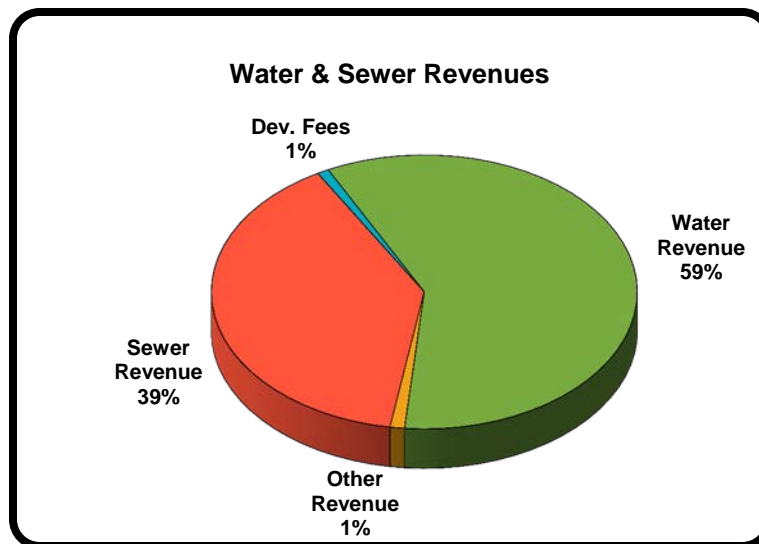
Airport user fee revenue comes from activities such as transient tie down fees and conference room fees from tenants. The majority of revenue comes from lease activities such as land rental and office rental.

Glendale is aggressively pursuing additional airport facility users with an ultimate goal of airport self-sufficiency. Sporting events as well

as concerts that are being held at Jobing.com Arena and University of Phoenix Stadium continue to attract corporate jet customers and are expected to provide additional business opportunities for the airport. Revenues for FY 2012 are projected to be \$466,491.

Enterprise Fund Group

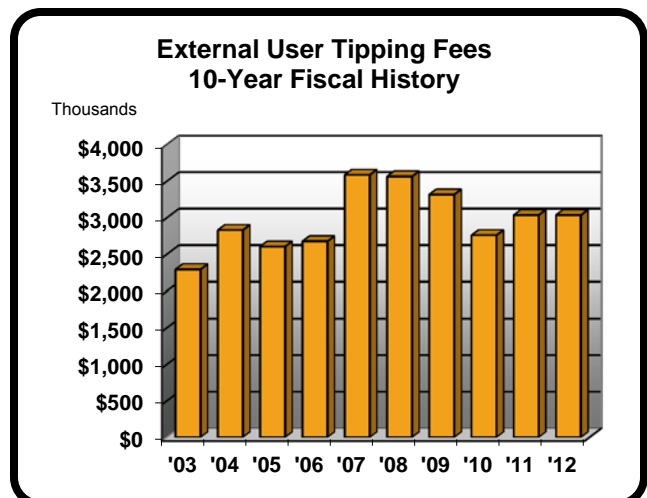
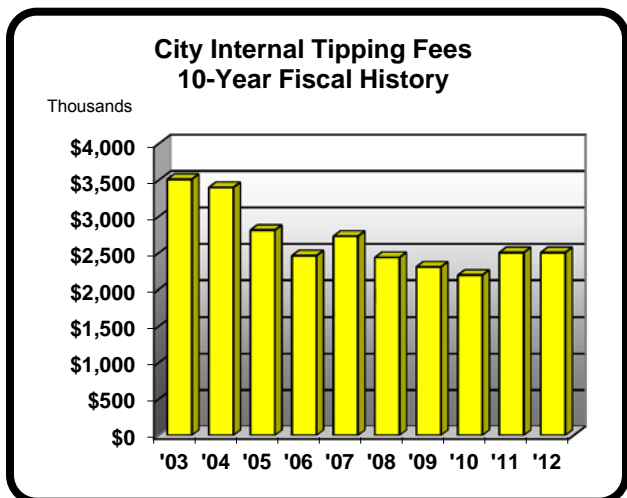
Water/Sewer (Funds 2360, 2400 & 2420): In FY 2012, water sales and sewer fees will make up \$77.9 million of total revenues for this fund. No bond sale is planned for FY 2012. Development impact fees (DIF) revenue is projected at \$700,000 for FY 2012. Other revenue sources totaling about \$876,275 include interest earnings and miscellaneous fees and charges. Overall revenues for the Water/Sewer Fund amount to \$79.3 million in FY 2012.



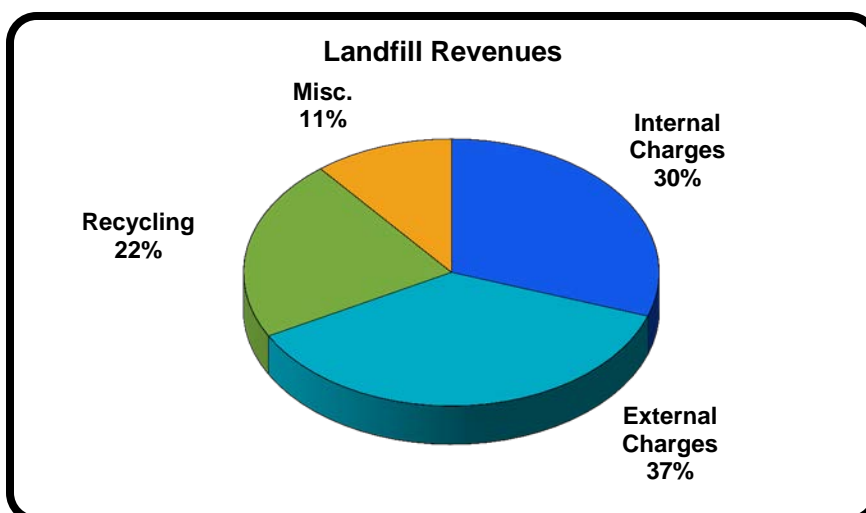
The city annually hires an independent consulting firm to review the utilities' financial status and recommend rate adjustments if needed. As a result of the study undertaken during FY 2011, there will not be any rate increases for FY 2012. The median single family customer rate will remain at \$61.14 per month.

Landfill (Fund 2440): The city annually reviews the five-year financial plan for the Landfill Enterprise Fund. This annual evaluation takes into account operating and capital costs, equipment replacement, rate structures and service demands. Budget decisions are largely based on this long-range plan.

Glendale city departments are charged an internal rate of \$18.00 per ton for the use of the city landfill. Glendale residents pay a tipping fee of \$15.79 per ton for a load weighing more than one ton in waste material. These internal and residential tipping fees are projected to generate \$2.5 million in revenue for the Landfill Fund in FY 2012.

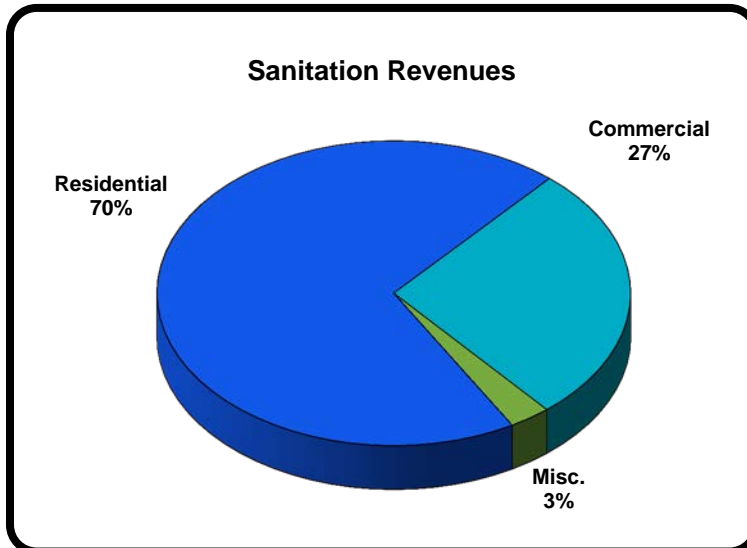


The tipping fees paid by private haulers, as well as businesses and individuals not located in Glendale, will continue to pay \$32.25 per ton in FY 2012. This tipping fee will generate \$3.0 million in revenue for the Landfill Fund in FY 2012. The city collected \$2.8 million in FY 2010 and is expected to collect \$3.0 million in FY 2011.



In FY 2012, the recycling sales program is projected to bring in \$1.8 million. This amount is slightly lower than the actual recycling sales revenue of \$1.9 million collected in FY 2010. The decline is mostly related to a decline in the amount of tonnage processed and sold at the recyclables processing facility.

Additional miscellaneous revenue comes from interest earnings, DIF's, chargebacks and other fees, and accounts for \$896,000. Total projected revenues for FY 2012 are \$8.3 million.



Sanitation (Fund 2480): The city annually reviews the five-year financial plan for the Sanitation Enterprise Fund. This annual evaluation takes into account operating and capital costs, equipment replacement, rate structures and service demands. Budget decisions are largely based on this long-range plan. Landfill fees for the disposal of the solid waste collected from residences and businesses represent a significant part of the expenses incurred by the sanitation enterprise operation.

Consequently, adjustments to landfill rates have a major impact on sanitation rates.

Glendale's residential sanitation rate for FY 2011 is \$16.30 and includes weekly trash and recycling collection as well as monthly loose trash collection. The last rate change occurred in January 2005. Due to a healthy fund balance maintained by the fund and significantly lower equipment repair and replacement costs, the sanitation rate for FY 2012 will remain at \$16.30.

The FY 2012 total revenues of \$15.1 million come primarily from two sources: residential collection fees, projected at \$10.5 million, and commercial collection fees, projected at \$4.1 million. The residential and commercial collection programs account for 97% of the sanitation revenues.

